

BPA's Strategic Direction



March 19, 2004

How does BPA view itself?

■ Mission

- Specifies BPA's mandates as laid out in statute
- Emphasizes core values
- Fish and wildlife treated as a business line.
- Mission to be accomplished "in concert with others"
- Explicit commitment to public and regional preference, cost-based rates, timely Treasury payment

■ Vision

- Emphasizes BPA's leadership in four core regional values:
 - Low cost consistent with sound business principles
 - High reliability
 - Light environmental footprint
 - Clear accountability to customers and citizens
- Defines BPA as one business – singular

Mission Statement

The Bonneville Power Administration's mission as a public service organization is to create and deliver the best value for our customers and constituents as we act in concert with others to assure the Pacific Northwest:

- An adequate, efficient, economical and reliable power supply;
- A transmission system that is adequate to the task of integrating and transmitting power from federal and non-federal generating units, providing service to BPA's customers, providing interregional interconnections, and maintaining electrical reliability and stability; and
- Mitigation of the Federal Columbia River Power System's impacts on fish and wildlife.

BPA will set its rates as low as possible consistent with sound business principles and the full recovery of all its costs, including timely repayment of the federal investment in the system. BPA is committed to cost-based rates, and public and regional preference in its marketing of power.

Vision Statement

The Pacific Northwest electric power and transmission system has led the nation in four key values:

- low rates consistent with sound business principles
- high reliability
- a light environmental footprint
- accountability to the region's citizens

For nearly 70 years, the Bonneville Power Administration has been entrusted with stewardship of the federal core of that system. BPA will advance the Northwest's future national leadership in these four values by meeting its public responsibilities through a commercially successful business.

How will we do it?

- Look to the future – refocus on the long term.
- Set clear direction.
 - Define objectives
 - Describe actions we'll take
 - Manage to those objectives
 - Emphasize accountability
- Improve the performance of the agency.

What's driving the strategy?

1. Rates are too high.
2. Clear objectives needed for fish recovery.
3. Value of low-cost hydropower masked by melded costs.
4. Energy crisis, drought damaged BPA's financial health.
5. Infrastructure needs investment.
6. Regional approach needed to ensure infrastructure investment.
7. Customers, tribes, constituents unhappy with BPA complexity, lack of clarity in rate making, financial reporting, decision making.
8. Cost cuts have reduced needed BPA investments in technology and its people.

What we must do

1. We must bring rates down consistent with sound principles.
2. We must set objectives for fish and wildlife mitigation and manage for cost effectiveness.
3. We must preserve the value of the low-cost federal base system.
4. We must protect the taxpayers and ratepayers.
5. We must support the region's infrastructure.
6. We must support regional approaches to regional problems.
7. We must seek simplicity and transparency.
8. We must build for the future.

1. Bring rates down and be fiscally sound.

We must lower our cost structure and enhance revenues without using rate mechanisms such as CRACs.

- Limit the amount of load we serve at a melded rate.
- Be great operators of the core assets.
- Achieve fish objectives at least cost.
- Manage internal operating costs, seek efficiencies.
- Effectively manage risk.

2. Set objectives for fish and wildlife and manage for cost effectiveness.

- Fish and wildlife mitigation is fundamental to BPA's mission.
- These investments must produce measurable biological results.
 - Need clear goal and performance objectives.
 - Choose the cost-effective means to reach the objectives.

3. Preserve the value of the low-cost federal base system.

- Core federal assets remain extremely low cost, including appropriate fish and wildlife mitigation costs.
- We have taken on many other costs that blur the true value of these assets.
- To make rates a clearer mirror of the federal assets, limit load served at melded rate.
- Explore tiered rates.

4. Protect taxpayers and ratepayers.

- Maintain sound financial health.
- Maintain a high credit rating to reduce capital and transaction costs.
- Make Treasury payments in full and on time. Retain high Treasury Payment Probability.
- Offer long-term contracts to provide stability, certainty for all.

5. Support the region's infrastructure.

- Improve and enhance the federal system.
 - Invest in efficiency, value of federal hydro system.
 - Capture cost-effective conservation in BPA loads.
 - Build transmission and nonwires solutions integral to BPA's grid.
 - Little or no new resource acquisition.
 - Develop a sustainable capital plan.

6. Support regional approaches to regional problems.

- Pursue policies, products that promote regional partnerships and help others achieve regional goals.
 - Wind integration products.
 - Enforceable adequacy standards (resource adequacy).
 - Regional transmission planning (transmission adequacy).
 - “One-utility” transmission operation (reliability).

7. Seek simplicity, transparency.

- Citizens want to be involved.
- BPA rate structure, decision making, financial reporting too complex.
- Complexity reduces trust, adds substantial administrative costs.
- Simplification is part of being accountable to the people.
 - Understanding is a necessary prerequisite of trust.
 - Customers and constituents are reviewing BPA financial data.

8. Build for the future.

- Invest in innovation to solve BPA business challenges.
 - The industry and BPA are underinvesting in technology.
 - BPA R&D investment was \$13 million a year, is \$2 million*
 - Technology can bring efficiencies, help preserve reliability.
- Attract and retain needed talent.
 - Training and professional growth
 - Performance recognition
 - Succession planning

*excluding fish and wildlife R&D

How will we measure success?

In 2012, at BPA's 75th anniversary, the BPA administrator will be able to stand before you and say:

- We are among the most reliable electricity systems in the country.
- Our wholesale rates are well below the market for comparable long-term products.
- Our efforts to preserve the environment of this great region have paid off.
- We have been accountable to the people of the Northwest and have earned their trust.

What is next?

The strategy will help shape actions throughout BPA, specifically:

- Power's Regional Dialogue
- Transmission's Programs in Review
- Continuing agency strategic planning

Let us know what you think. This is not a formal comment period; it's a test. We'll refine our approach based on what we hear from the region.